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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

JEFF HATCH-MILLER, Chairman
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AZ CORP COMMISSION
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IN THE MATTER OF THE APPLICATION OF
ARIZONA PUBLIC SERVICE COMPANY FOR
APPROVAL OF ITS DEMAND SIDE
MANAGEMENT PROGRAM PORTFOLIO PLAN
AND RELATED PROGRAMS.

Docket No. E-01345A-05-0477

NOTICE OF FILING AMENDMENT

On February 10, 2006, Arizona Public Service Company ("APS" or "Company") submitted its Response to Staff's Interim Report and Exceptions to the Recommended Opinion and Order ("Exceptions") in this docket, which addressed the Non-Residential Program portion of the Company's Application for Approval of its Demand Side Management Portfolio Plan. APS now hereby submits its Proposed Amendment No. 1 to the Recommended Order related to the Planning and Administrative Costs, which reflects the Company's position that the Company should not be prohibited from recovering these costs in a timely manner.

In addition, subsequent to filing the Company's Exceptions, the Company has received clarification from Commission Staff through a discovery response that the "interim approval" recommended is in fact "approval", but for a limited time period. With this clarification, the Company is withdrawing its objection to that section of the Recommended Order.

RESPECTFULLY submitted this 13th day of February, 2006.

SNELL & WILMER LLP

By

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Original and 13 copies filed this
13th day of February, 2006, with:

Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

COPY of the foregoing electronically
Transmitted on this 13th day of February, 2006, to:

Participants in the ACC DSM Workshops

Vicki DiCola
Vicki DiCola

**ARIZONA PUBLIC SERVICE COMPANY'S
PROPOSED AMENDMENT NO. 1
TO RECOMMENDED ORDER**

TIME/DATE PREPARED: February 14, 2006

COMPANY: In the Matter of Arizona Public Service Company for Approval of Its Demand-Side Management Program Portfolio Plan and Related Programs AGENDA ITEM NO. U- 2

DOCKET NO. E-01345A-05-0477

OPEN MEETING DATE: February 14, 2006

Page 5, Line 23:

INSERT: New Finding of Fact #7

The Commission has reviewed the recommendations related to Planning and Administrative expenses proposed by Staff in Finding of Fact #6: paragraph "s" which recommends that APS not be allowed to recover Planning and Administrative expenses at this time, and paragraph "u", which requires that the Planning and Administrative costs for any given programs not exceed 10 percent of the total program budget. We agree that the Planning and Administrative costs should not exceed 10% of the total program budget. However, we also believe that delaying the recovery of Administrative and Planning costs—costs that are essential for the development and administration of new DSM programs—is contrary to the terms of the Settlement Agreement adopted by Decision No. 67744 (Appendix A, Paragraph 40), and that the Company should be permitted to recover those costs that have been reasonably and prudently incurred. Therefore, the Commission will allow for concurrent recovery of Planning and Administration expenses, subject to the limitations set forth in recommendation paragraph "u".

Page 7, Line 5:

INSERT after the words "Fact 6", "as modified by Finding of Fact 7,"

Make conforming changes